

STRATEGIC GOAL 2: SUPPORT INCREASED ECONOMIC OPPORTUNITIES AND IMPROVED QUALITY OF LIFE IN RURAL AMERICA

Rural America, home to one fifth of the Nation's population, is a collage of people and economic activity. Seven out of eight rural counties are now dominated by varying mixes of manufacturing, services, and other non-farming activities. While the majority of rural residents are not dependent on agriculture for their income, many small family farmers rely on local, off-farm employment to supplement their farm income.

Of the 60 million people who live in rural America, only 2 million are directly engaged in production agriculture. A diversity of other enterprises, including support services for agriculture, forestry and mining, recreation, and manufacturing, provides most of the jobs and income in rural America. USDA's role is to enhance the economic opportunities and quality of life for rural residents by providing financial and technical assistance for business and industry, water and waste disposal and other essential community facilities, advanced telecommunications, electric utilities, and housing. Our objective is to ensure that rural residents have equal opportunity to share in the Nation's prosperity and technological advancement.

USDA takes a leadership role in fulfilling Presidential initiatives such as increasing minority homeownership by the end of the decade and encouraging the production of renewable energy. We will work with other Federal agencies, State and local governments, and the full range of private sector interests to achieve a coordinated effort for the realization of Presidential initiatives, as well as other activities important to rural America.

Objective 2.1: Expand Economic Opportunities Through USDA Financing of Businesses

One of USDA's core missions is ensuring that rural Americans enjoy economic opportunities equivalent to those of other Americans. Lack of credit and other market imperfections sometimes limit the ability of rural economies to create the jobs and incomes that would allow rural families to succeed and rural youth to remain in their communities as adults. USDA serves as a capital enhancement tool for rural America by investing in businesses and economic infrastructure. Through capital enhancement, and implementing energy-related provisions of 2002 FSRIA, USDA will expand its ability to improve economic opportunities in rural areas.

The development of the Internet-based economy provides unique opportunities for rural America. It eliminates the limitations on business development in rural areas caused by geographical distance and a limited customer base. USDA is providing rural communities with access to broadband service that is critical if a rural business is to participate in the developing global economy.

Performance Measures

Increase the number of jobs created or saved through USDA financing of businesses.

Baseline: 2001 — Created or saved approximately 105,000 jobs annually through USDA financing of businesses in rural areas.

Target: 2007 — Will create or save 125,000 jobs annually in rural areas.

Significantly improve the ability of rural counties and towns of up to 20,000 inhabitants to enjoy economic growth through provision of financing to support high-speed telecommunications services (broadband).

Baseline: 2001 — Helped 16 entities serving 163 rural counties to provide high-speed broadband services.

Target: 2007 — Will help 100 entities deploy broadband services to residents and businesses in 800 rural counties and towns of up to 20,000 inhabitants.

Manage the Business and Industry Portfolio effectively to minimize the delinquency rate.

Baseline: 2002 — Business and Industry Portfolio delinquency rate (excluding bankruptcy cases) was 10.29%.

Target: 2007 — Reduce the Business and Industry Portfolio delinquency rate to 8% (excluding bankruptcy cases).

Actionable Strategies

To improve the effectiveness of programs to increase economic opportunity, USDA will:

- Fully implement the provisions of the 2002 FSRIA, including the Rural Business Investment Program and the Renewable Energy Systems and Energy Efficiency Improvements Program, and the expanded assistance for broadband.
- Increase outreach and partnerships with financial institutions and non-traditional lenders to encourage access to capital for rural minority business owners.
- Develop formal partnerships with other Federal Departments and agencies to efficiently bring additional resources to rural areas.
- Focus on value-added activities in agriculture and other natural resource industries by encouraging the establishment and growth of locally owned and operated rural businesses.
- Concentrate efforts on States with high delinquency rates and provide additional training, as necessary, to minimize the delinquency rates.
- Develop a comprehensive and integrated base of information about rural economic and social conditions that can be used by Federal policymakers for strategic planning, policy development, and program assessment.
- Undertake analysis that identifies how investment, technology, employment opportunities and job training, Federal policies and demographic trends affect rural America's capacity to prosper in the global marketplace.
- Expand research to assess the effectiveness of developing profitable alternative crops and on- or near-farm processing that add value to agricultural products and enhance the economic viability of rural communities and families.

Objective 2.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities, and Needed Community Facilities

If new businesses are to startup in or relocate to rural America, the local rural community must possess the amenities that businesses require and employees desire. This includes not only access to such basic needs as clean water, adequate housing, and reliable electricity and telecommunications, but also access to essential needs such as quality education, health care and day care. USDA is an important source of

credit and technical assistance, which are essential to rural residents and communities if they are to improve their standard of living in rural America.

Critical to the well being of any community is the availability of adequate housing for all members of the community. Ensuring low-income families have access to decent and safe housing is a major concern in every area, whether urban or rural. USDA provides financing for low and moderate income rural families, who cannot obtain credit from other sources, to help them achieve homeownership. The ownership of a home provides stability to families and gives them the opportunity to strengthen their financial condition by the accrual of equity in their home. The President has expressed his desire to ensure all Americans share in the homeownership opportunity and has established a major initiative to increase minority homeownership nationwide. USDA will implement a five star action plan in support of the President's goal.

Performance Measures

Increase by over 20 percent the number of rural households receiving financial assistance to buy a home of their own.

Baseline: 2001 — 44,000 households received financial assistance.

Target: 2007 — 54,000 households will receive financial assistance.

Support the President's Initiative to increase the number of minority homeowners by 5.5 million by 2010

Baseline: 2001 — 6,300 minority households in rural areas received financing for affordable housing.

Target: 2007 — 8,800 minority households in rural areas will receive financing for affordable housing.

Increase by over 17 percent the number of rural residents who will have access to new and/or improved essential community facilities.

Baseline: 2002 — 6.8 million rural residents will have access to new or improved community facilities as a result of funding in the fiscal year.

Target: 2007 — 8.0 million rural residents will have access to new or improved community facilities as a result of funding in the fiscal year.

Increase the numbers of rural residents given access to clean drinking water through the financing of the construction of new, or extension of existing, rural central water systems.

Baseline: 2002 — 1.96 million residential users benefited from water facilities receiving financing.

Target: 2007 — 2.16 million residential users will benefit from water facilities receiving financing.

Actionable Strategies

- Support the President's minority homeownership initiative by implementing a five star action plan:
 - lowering fees to reduce barriers to minority homeownership;
 - doubling the number of self-help participants by 2010;
 - increasing participation by minority lenders through outreach;

- promoting credit counseling and homeownership education; and
- monitoring lending activities to ensure 10 percent increase in minority homeownership.
- Increase the leveraging of outside funds by developing relationships with all potential sources of funding in rural communities for water, environmental and essential community facilities.
- Conduct research to identify social and economic issues facing rural communities as they adjust to broad forces affecting their futures, such as welfare reform, increased foreign competition in low-wage industries, growing demand for highly-skilled labor, an aging population and rapid growth in communities near major cities.
- Conduct research to better understand the role and effectiveness of investments in infrastructure, housing and business assistance for sustaining rural communities, particularly in areas characterized by rapid population growth or long-term population decline.

Key External Factors for Strategic Goal 2

Achievement of these goals will depend on the level of funding Congress provides for these programs. The amount of loans that can be made with the budget authority that is appropriated will depend upon various factors that affect subsidy rates, including interest rates and program losses. USDA can stretch its limited resources by jointly funding projects with private lenders only if those lenders are willing to participate and loan recipients are able to meet the higher payments normally required from joint funding. USDA can reach out to rural communities, but it cannot require them to apply for financial help. Applicants must compete for funding with other applicants and the recipient must demonstrate the ability to repay the Government loan. Significant fluctuations in interest rates or unemployment also have a major impact on the ability of many rural residents, communities and businesses to qualify. The availability of credit from other lenders will also affect the demand for USDA assistance, and may vary with overall economic conditions as well as the willingness of other lenders to serve rural areas.